

IDAHO BARLEY NEWSBRIEF

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IGPA Report

2008 Farm Bill Energy Incentives

- ◆ Provides overall \$1 billion to fund research and commercialization programs that will leverage renewable energy industry investments in new technologies and new feedstocks.
- ◆ \$320 million in loan guarantees to biorefineries producing advanced biofuels.
- ◆ \$35 million for a new program to help existing ethanol facilities reduce their fossil fuel use
- ◆ Creates the Rural Energy for America Program (REAP) to provide \$250 million in grants and loan guarantees for agricultural producers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements.
- ◆ \$120 million for Biomass Research and Development Program to improve feedstocks and processing efficiencies.

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Biofuels and other renewable energies get boost from new economic stimulus package

Considerable attention is focused on the continuing economic crisis and the federal government's response. More bad news rocked financial markets in recent days, including massive layoffs hitting a wide cross section of businesses. One of the centerpieces of the Obama Administration's \$825 billion American Recovery and Reinvestment Plan is to double production of alternative energy, including \$400 million in additional spending geared at rural business initiatives in renewable energy and energy efficiency.

The Federal Government has already spent billions of dollars to support biofuels and other renewable energies, beginning with the 2002 Farm Bill, Energy Policy Act of 2005, Energy Independence and Security Act of 2007 and 2008 Farm Bill (see summary to left). **EPA is expected to issue rules very soon implementing the new Renewable Fuels Standard (RFS-2) mandates: 11.1 billion gallons of ethanol be blended in the U.S. gasoline supply in 2009, including 10.5 billion gallons of conventional biofuels and .6 billion gallons advanced biofuels. A new biodiesel mandate will also go into effect this year - 500 million gallons/year in 2009, increasing to 1.0 billion gallons by 2012.**

The Idaho connection - For several years the Idaho National Laboratory, a DOE-funded national energy research laboratory based in Idaho Falls, has been conducting cutting edge research to cut the costs of harvesting and transporting crop by-products like grain straw and corn stover to fuel manufacturing sites by at least 25 percent. **Their accomplishments to-date include:**

- ◆ Modifications to commercial combines to allow simultaneous harvesting/collection of grain, straw and chaff (patent pending).
- ◆ Identifying ways to increase crop residue density, thereby reducing transport costs.
- ◆ Improving grinding efficiencies by converting equipment originally designed to process wood.
- ◆ Optimizing particle size and sugar content of residue material to improve processing efficiencies.
- ◆ Collaborating with wheat breeders at the University of Idaho on genetic methods to make wheat more biofuel friendly by suppressing the genes that control lignin formation.
- ◆ A cooperative agreement with the Idaho Farm Bureau Federation to test potential bioenergy crops for local growing conditions, including switchgrass, miscanthus and Great Plains wild rye.

Market Buzz...

Idaho Barley Commissioner Dan Mader convenes National Barley Foods Forum - IBC Commissioner Dan Mader, Genesee, who serves as chairman of the National Barley Foods Council will preside over a national meeting on January 30 to foster greater dialogue between barley breeders and food manufacturers who want to use barley as a human food ingredient. Participants will examine recent progress in developing food barleys with specific traits.

Farm Bill Energy Incentives, continued...

- ♦ Funds Bioenergy Program at \$300 million – incentives for expanding production of advanced biofuels made from agricultural and forestry crops and associated waste materials, including animal manure.
- ♦ Creates a new Biomass Crop Assistance Program to develop feedstocks for cellulosic ethanol, including multi-year contracts for crop and forest producers to grower dedicated energy crops (no mandatory funding was attached and rules have not yet been written).
- ♦ Establishes a sugar-to-ethanol program that will provide sugar to bio-fuel producers at competitive prices, only in times of sugar surplus.

Economic Watch - Falling fuel and fertilizer prices offer bright spot in farm economy but uncertainties exist

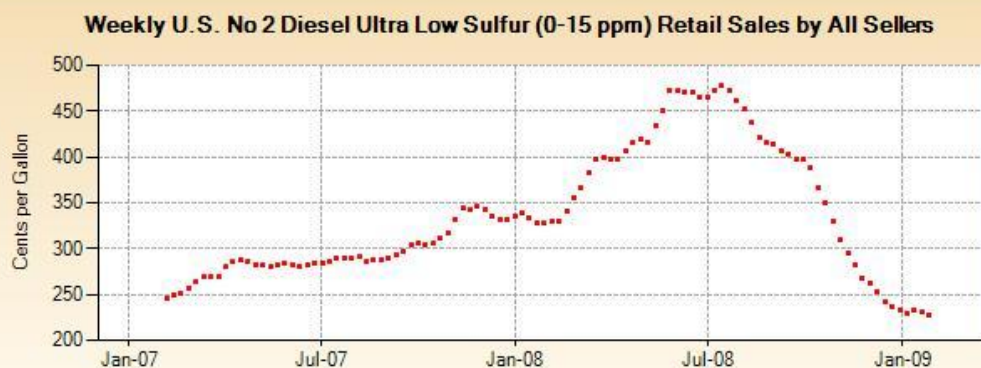
Spot fuel and fertilizer prices have fallen considerably from last year when record prices easily drove overall production costs up 30 to 35% from the previous year. But considerable uncertainties still exist on where local prices will land this spring. Many dealers are carrying over high priced inventory from last fall, which will certainly factor into prices for the upcoming crop season. Either these dealers write down their inventory costs or offer averaged pricing on products this year, just as many of them did as they averaged skyrocketing prices a year ago. **So the key question remains: Where are local fertilizer prices headed in 2009?**

Here is a sampling of what local dealers are saying (2009 price projections are compared with spring 2008 prices)...

- ♦ **Nitrogen products** - down 10 to 30% but prices could climb again as the season draws closer because some production facilities have reduced output due to soft demand and may be slow to come back on line, possibly creating some supply bottlenecks.
- ♦ **Phosphate products** - down 15 to 20%
- ♦ **Potash** - up 60-75% due to supply disruptions in Canada and Russia.

Many dealers offer producers forward contracting opportunities, however, with lower trending prices this strategy looks less attractive this year.

By contrast, forward pricing of fuel looks like a viable risk management strategy, in light of lower prices and historically low diesel inventories as refiners reduce production runs. Some analysts have emphasized that any refinery disruptions or unexpected growth in demand could cause a rapid rise in diesel prices.



Source: U.S. Energy Information Administration

IGPA Report - Idaho State Legislature Opens '09 Session

On Monday, January 12, 2009, Governor Otter kicked off the 2009 legislative session with his "State of the State" address.

Some highlights of his speech included:

- 7 percent reduction in General Fund spending in FY 2010
- Reduce the Department of Agriculture budget by 31 percent in FY 2010
- Cap reserve fund spending in the 2010 budget at 35 percent of the fund total
- Foster job creation through support of bringing innovative ideas to the marketplace
- Pass transportation funding legislation that will increase fuel taxes and registration fees among other mechanisms to raise \$174 million over five years
- Establish a task force on truck transportation to find solutions to differences in the truck registration system.

Senator Tim Corder Assumes Chair of Idaho Senate Ag Committee; Little Appointed Lt. Governor

- In general, the composition of the Idaho State Legislature has not changed significantly. Out of the 105 total legislators, the Republicans gained one seat overall, while Idaho Democratic incumbents held on to their existing seats.

With the unfortunate death of 2008 Idaho Senate Agriculture Chairman Tom Gannon (R-Buhl), Mountain Home Senator Tim Corder has taken over the mantle of the committee. Senator Corder spent thirty years in the potato, grain, and hay business on his family farm in Elmore County. He has already proposed several initiatives to be addressed in the coming weeks of the session.

On January 6, Senator Brad Little (R-Emmett), Senate Majority Caucus Chair, was appointed by Governor Otter to replace newly-elected U.S. Senator Jim Risch as Idaho's next Lieutenant Governor. Mr. Little, a University of Idaho graduate, comes from an extensive background in farming and ranching. Appointed to his vacant seat was Melinda Smyser (R-Parma).

Commodity Indemnity Fund & Crop Depredation Priorities For IGPA - IGPA is tracking the Idaho State Department of Agriculture's proposed revisions to certain functions of the Commodity Indemnity Fund (CIF) program which serves as protection for growers in the event of warehouse or commodity dealer failure.

With a current CIF balance of \$4.8 million, the draft provisions seek to limit producer and fund liability by establishing a three-year liability for claims filed under a specific warehouse failure. A second proposal will require commodity dealers/warehouses to carry peril insurance on the full market price of commodities that they have received and for which they still owe a producer.

Meanwhile the Idaho Fish and Game Advisory Committee - of which the IGPA is a member - may pursue legislation to raise the cap on annual expenditures reimbursing producers on claims stemming from wildlife damage to crops. In the 2008 crop year, crop damage claims exceeded allowable funding limits by nearly 100 percent. The IGPA will work with other stakeholders to find solutions to this issue.